

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: JOHN LEE
108 W. Katella Avenue #F
Orange, California 92867

CITATION AND DESIST AND REFRAIN ORDER

(For violations of California Financial Code Section 23005)

ORDER VOIDING DEFERRED DEPOSIT TRANSACTIONS

(California Financial Code Section 23060)

The California Corporations Commissioner finds that:

1. The California Corporations Commissioner (“Commissioner”), of the Department of Corporations (“Department”), is responsible for enforcing the California Deferred Deposit Transaction Law (“CDDTL”), Cal. Fin. Code § 23000 *et seq.*
2. At all relevant times, John Lee was the manager of Bu Young Lee Co., Inc., dba Omega Financial, (“Omega Financial”) a California corporation with its principal place of business at 108 W. Katella Avenue #F, Orange, California 92867. Omega Financial’s owner is Bu Young Lee.
3. Omega Financial was issued a CDDTL license on May 4, 2005.
4. John Lee has never applied for nor been issued a CDDTL license.
5. On March 22, 2006, the Department conducted a regulatory examination of Omega Financial. The examination revealed violations of the CDDTL; therefore, the Department conducted a follow-up examination on August 16, 2007.

6. While examining Omega Financial’s books and records on August 16, 2007, the Department observed certain receipts for deferred deposit transactions that contained the designation “PL.”

7. The Department asked John Lee (“Lee”) why the receipts were marked “PL.” Lee answered that “PL” stands for “personal loans” and those receipts were for loans made by Lee personally, rather than by Omega Financial.

8. Lee told the Department that the loans made by him were made from Omega Financial’s cash that is used for its payday and check cashing activity. Lee said he reimburses the company by withdrawing money from his own bank account and returning the money to Omega Financial’s cash on hand. Lee said sometimes, the reimbursements are made by netting the amount he owes against his weekly paycheck from Omega Financial.

9. Lee does not maintain a record of the cash borrowed from or returned to Omega Financial for the purposes of funding the loans made by him.

10. Some, but not all, of Lee’s customers were also customers of Omega Financial.

11. Financial Code section 23005 provides, in pertinent part:

No person shall offer, originate, or make a deferred deposit transaction, arrange a deferred deposit transaction for a deferred deposit originator, act as an agent for a deferred deposit originator, or assist a deferred deposit originator in the origination of a deferred deposit transaction without first obtaining a license from the commissioner and complying with the provisions of this division.

12. The Department’s examination revealed that Lee personally originated at least 58 deferred deposit transactions from May 9, 2005 through August 15, 2007, in the total amount of at least \$52,975.00.

13. Lee made those deferred deposit transactions without a license. Lee is not exempt from the licensing requirements of section 23005.

CITATION

14. Section 23058 gives the Commissioner authority to issue citations:

(a) If, upon inspection, examination or investigation, based upon a complaint or otherwise, the department has cause to believe that a person is engaged in the business of

deferred deposit transactions without a license, or a licensee or person is violating any provision of this division or any rule or order thereunder, the department may issue a citation to that person in writing, describing with particularity the basis of the citation. Each citation may contain an order to desist and refrain and an assessment of an administrative penalty not to exceed two thousand five hundred dollars (\$2,500). All penalties collected under this section shall be deposited in the State Corporations Fund.

(b) The sanctions authorized under this section shall be separate from, and in addition to, all other administrative, civil, or criminal remedies.

15. Pursuant to section 23058, John Lee is hereby ordered to pay to the Commissioner, within 30 days from the date of this Citation, administrative penalties in the amount of two thousand, five hundred dollars (\$2500) for engaging in the business of deferred deposit transactions without a license.

16. This Citation shall remain in full force and effect until further order of the Commissioner.

DESIST AND REFRAIN ORDER

17. California Financial Code section 23050 provides, in pertinent part:

Whenever, in the opinion of the commissioner, any person is engaged in the business of deferred deposit transactions, as defined in this division, without a license from the commissioner, or any licensee is violating any provision of this division, the commissioner may order that person or licensee to desist and to refrain from engaging in the business or further violating this division.

18. Pursuant to Financial Code sections 23050 and 23058, John Lee is hereby ordered to desist and refrain from engaging in the business of deferred deposit transactions in the State of California without first obtaining a license from the Commissioner, or otherwise being exempt.

19. The Desist and Refrain order is necessary for the protection of consumers and consistent with the purposes, policies and provisions of the CDDTL. This Order shall remain in full force and effect until further order of the Commissioner.

ORDER VOIDING DEFERRED DEPOSIT TRANSACTIONS

20. Financial Code section 23060 provides:

(a) If any amount other than, or in excess of, the charges or fees permitted by this division is willfully charged, contracted for, or received, a deferred deposit transaction contract shall be void, and no person shall have any right to collect or receive the principal amount provided in the deferred deposit transaction, any charges, or fees in connection with the transaction.

(b) If any provision of this division is willfully violated in the making or collection of a deferred deposit transaction, the deferred deposit transaction contract shall be void, and no person shall have any right to collect or receive any amount provided in the deferred deposit transaction, any charges, or fees in connection with the transaction.

21. Lee willfully violated section 23005 by making at least 58 deferred deposit transactions made from May 9, 2005 through August 15, 2007 without a license. The principal amounts of the loans totaled at least \$52,975.00 and the fees received totaled at least \$4,398.50.

22. Pursuant to Financial Code section 23060, these 58 transactions are declared void. Further, John Lee has no right to collect or receive any amount provided in those deferred deposit transactions or any charges or fees in connection with those transactions and is hereby ordered to immediately return the principal and all charges and fees received for those transactions, in the amount of at least \$57,373.50.

WHEREFORE, the California Corporations Commissioner prays that:

1. John Lee, pursuant to Financial Code section 23058, pay to the Commissioner an administrative penalty in the total amount of two thousand, five hundred dollars (\$2500) within thirty (30) days from the date set forth below;

2. John Lee, pursuant to Financial Code sections 23050 and 23058, be ordered to desist and refrain from engaging in the business of deferred deposit transactions in the State of California without first obtaining a license from the Commissioner, or otherwise being exempt; and

3. John Lee, pursuant to Financial Code section 23060, void all loans and refund all principal and fees, in the total amount of at least \$57,373.50, to his customers.

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Dated: February 14, 2008
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
ALAN S. WEINGER
Lead Corporations Counsel
Enforcement Division